

Registered No 5991

ANDREW WEIR SHIPPING LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 2005



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COMPANIES HOUSE 01/07/06

The Directors present the audited accounts for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company's shipping activities include the ownership and operation of vessels. The Company provides ship management services both for its own vessels and for related or third party companies. Andrew Weir Shipping and its Subsidiaries provide a range of shipping related services including travel, tours, agency services, technical support and supervision for vessel repairs and newbuilding contracts.

RESULTS, REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

A Group trading profit of £4,499k was recorded against £5,199k in the prior year, which included the one-off benefit of a vessel sale.

In accordance with FRS11, the value of our ships was re-assessed, resulting in a write back in value of £849k (2004 : £674k). The resulting profit on ordinary activities before interest and tax of £5,348k compares favourably with the profit of £5,873k in the previous year.

Group interest costs were largely comparable to the prior year, with lower debt levels offset by increases in US interest rates and a strengthening of the US\$ exchange rate. After tax charges generated on profits from our associated undertakings, the Group registered a retained profit for the year of £1,588k.

Excluding the impact of the pension matters referred to in Note 5, the Group's reserves rose year on year by £2,248k due to the profit for the year, coupled with exchange gains resulting from the appreciating US\$. Cash inflows paid off over £2,400k of loans and finance lease obligations.

As a result of revised calculations completed by the MNOPF Trustees, the liability of the Group has increased by £1,277k. This increase has been recorded in the statement of total recognised gains and losses for the year ended 31 December 2005. The total revised liability as at 31 December 2005, including accrued interest, amounted to £5,008k.

Charter rates across the industry have started to decline from the peaks seen earlier in 2005. However, significant increases in charter rates on most of our owned vessels were agreed during the year for periods of between 12 to 24 months. This gives confidence that a satisfactory level of profitability can be maintained in 2006.

During 2005, several opportunities were identified which led to new ship management contracts for two additional third party vessels, together with a contract to provide worldwide superintendency consultancy to an external body. Shortly after the year-end, the Company was advised that the management contracts for the RMS St Helena would be extended until 2010 subject to agreement of terms.

Profit for the year included a satisfactory result from the Ministry of Defence rapid deployment contract. Andrew Weir Shipping Limited has a 25% interest in the joint company and the technical management contract for the six vessels.

DIVIDENDS

The Directors do not recommend the payment of a dividend (2004 : £nil).

FIXED ASSETS AND FIXED ASSET INVESTMENTS

Details of fixed assets and fixed asset investments are shown in Notes 8 and 9 to the accounts.

EMPLOYEES

Information on matters of concern to employees is given through information bulletins and reports, which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

The Company's policy is to provide equal employment opportunities to all.

CLOSE COMPANY

The Company is a close company as defined by the Income and Corporation Taxes Act 1988, as amended. No provision is deemed necessary under the appropriate sections of that Act.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors of the Company during the year and as at the date of this report are set out below.

Viscount Runciman	(Retired 30 September 2005)
Mr M G Parker	
Mr S J Corkhill	
Mr G Hamilton	
Mr A F Jones	

Mr M G Parker and Mr A F Jones are Directors of the ultimate holding company, Andrew Weir & Company Limited, at 31 December 2005 and, as such, are not required to notify their interests in that company.

According to the register required to be kept by Section 325 of the Companies Act 1985, no other Directors held any shares in the Company or any other company in the Group at any time during the year.

DIRECTORS' RESPONSIBILITIES FOR PREPARING THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Company and the Group, and of the profit or loss of the Company and the Group for that period. In preparing those accounts, the Directors are required to:-

- * Select suitable accounting policies and then apply them consistently;
- * Make judgments and estimates that are reasonable and prudent;
- * State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- * Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

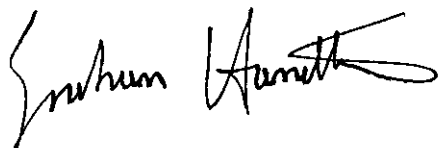
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

On 3 October 2005, Moore Stephens, the Company's Auditors, transferred its entire business to Moore Stephens LLP, a Limited Liability Partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Moore Stephens as extending to Moore Stephens LLP with effect from 3 October 2005.

A resolution to re-appoint Moore Stephens LLP as the Company's Auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



G HAMILTON
COMPANY SECRETARY

Date : 27 April 2006

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ANDREW WEIR SHIPPING LIMITED

We have audited the financial statements of Andrew Weir Shipping Limited for the year ended 31 December 2005 set out on pages 5 to 25. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 11.

This report is made solely to the Company's members as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's and Group's affairs at 31 December 2005 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MOORE STEPHENS LLP
Registered Auditors
London EC4M 7BP

Dated : 19 May 2006

ANDREW WEIR SHIPPING LIMITED**Group Profit and Loss Account
For the year ended 31 December 2005**

	Notes	Group 2005 £'000	Group 2004 £'000 (restated)
Turnover – group and share of joint venture			
Continuing operations	2	22,640	24,369
Less share of joint venture's turnover		(8,239)	(8,105)
		<u>14,401</u>	<u>16,264</u>
Cost of Sales	4	(11,140)	(13,606)
Gross profit		<u>3,261</u>	<u>2,658</u>
Other operating income	4	-	1,649
Operating expenses	3/4	(3,234)	(3,355)
		<u>27</u>	<u>952</u>
Share of profit of joint venture		3,855	3,876
Share of profit of associated undertaking		463	371
Profit on disposal of investment	4	154	-
		<u>4,499</u>	<u>5,199</u>
Group trading profit			
Write back in value of ships	4	849	674
		<u>5,348</u>	<u>5,873</u>
Profit on ordinary activities before interest			
Net interest and other income			
Group		(574)	(619)
Joint venture		(2,449)	(2,597)
Associated undertaking		(16)	(4)
	6	<u>(3,039)</u>	<u>(3,220)</u>
Profit on ordinary activities before taxation		<u>2,309</u>	<u>2,653</u>
Taxation	7	(235)	(62)
		<u>2,074</u>	<u>2,591</u>
Profit on ordinary activities after taxation			
Dividends paid on preference shares		(486)	(462)
		<u>1,588</u>	<u>2,129</u>
Retained profit			

The prior year figures have been amended to reflect the classifications used for the current year.

ANDREW WEIR SHIPPING LIMITED

Group statement of total recognised gains and losses

	2005 £'000	2004 £'000
Retained profit for the financial year	1,588	2,129
Currency translation differences on foreign net investments	660	(558)
Actuarial loss in current year (Note 5(b) – Pensions)	(1,277)	-
	<u>971</u>	<u>1,571</u>

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year and their historical cost equivalents.

All activities are continuing.

ANDREW WEIR SHIPPING LIMITED
**Group Balance Sheet
As at 31 December 2005**

	Notes	2005 £'000	2004 £'000
Fixed Assets			
Tangible fixed assets	8	20,083	18,915
Investments	9	<u>579</u>	<u>3,378</u>
		20,662	22,293
Investment in Joint Venture	9		
Share of gross assets		49,362	50,840
Share of gross liabilities		<u>(47,218)</u>	<u>(49,030)</u>
		2,144	1,810
Loans due within one year		151	151
Loans due after one year		<u>2,722</u>	<u>2,873</u>
		5,017	4,834
		<u>25,679</u>	<u>27,127</u>
Current Assets			
Debtors	10	1,903	3,105
Stock	11	77	71
Cash at bank and in hand		<u>6,010</u>	<u>3,375</u>
		7,990	6,551
Creditors due within one year	12	<u>(6,619)</u>	<u>(7,012)</u>
Net Current Assets/(Liabilities)		1,371	(461)
Total assets		<u>27,050</u>	<u>26,666</u>
Creditors due after more than one year	12	(10,815)	(12,234)
Pension liability	5	<u>(5,008)</u>	<u>(4,176)</u>
		<u>11,227</u>	<u>10,256</u>
Capital and Reserves			
Called up share capital	15	12,100	12,100
Reserves	14	<u>(873)</u>	<u>(1,844)</u>
Shareholder's funds	16	<u>11,227</u>	<u>10,256</u>
Shareholder's funds comprise :			
Non-equity shareholder's funds	15	8,100	8,100
Equity shareholder's funds		<u>3,127</u>	<u>2,156</u>
Total shareholder's funds	16	<u>11,227</u>	<u>10,256</u>

The accounts on pages 5 to 25 were approved by the Board of Directors on 27 April 2006

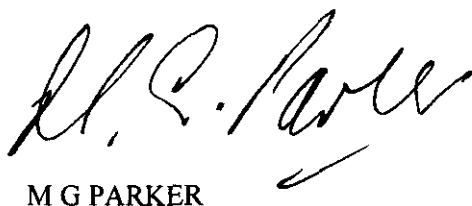
M G PARKER

A F JONES

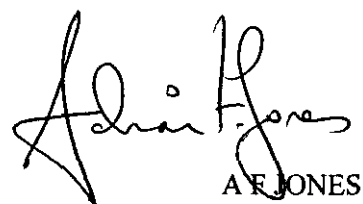
ANDREW WEIR SHIPPING LIMITED
**Company Balance Sheet
As at 31 December 2005**

	Notes	2005 £'000	2004 £'000
Fixed Assets			
Tangible fixed assets	8	18,922	18,086
Investments	9	10,950	13,933
		<u>29,872</u>	<u>32,019</u>
Current Assets			
Debtors	10	3,122	3,555
Stock	11	77	71
Cash at bank and in hand		5,939	3,322
		<u>9,138</u>	<u>6,948</u>
Creditors – amounts falling due within one year	12	(14,070)	(14,303)
Net Current Liabilities		<u>(4,932)</u>	<u>(7,355)</u>
Total assets		<u>24,940</u>	<u>24,664</u>
Creditors - amounts falling due after more than one year	12	(6,257)	(6,808)
Pension liability	5	(5,008)	(4,176)
		<u>13,675</u>	<u>13,680</u>
Capital and Reserves			
Called up share capital	15	12,100	12,100
Reserves	14	1,575	1,580
Shareholder's funds	16	<u>13,675</u>	<u>13,680</u>
Shareholder's funds comprise :			
Non-equity shareholder's funds	15	8,100	8,100
Equity shareholder's funds		5,575	5,580
Total shareholder's funds	16	<u>13,675</u>	<u>13,680</u>

The accounts on pages 5 to 25 were approved by the Board of Directors on 27 April 2006.



M G PARKER



A E JONES

1. PRINCIPAL ACCOUNTING POLICIES

A summary of the more important accounting policies is set out below. These policies have been consistently applied during the years ended 31 December 2005 and 2004.

Basis of Accounting

The accounts are prepared on a basis consistent with prior years, in accordance with applicable accounting standards in the United Kingdom, under the historical cost convention.

Andrew Weir & Company Limited produces Consolidated Group Accounts and the cash flows of the Company are included in the Consolidated Group Cash Flow Statement. Consequently, the Company is exempt under the terms of Financial Reporting Standard No.1 from publishing its own cash flow statement.

Basis of Consolidation

The Group Accounts comprise a consolidation of the audited accounts of the Company and all its subsidiary undertakings, together with the Group's share of the post-acquisition results of all joint ventures and associated undertakings. The results of subsidiary, joint ventures and associated undertakings are consolidated from the date of acquisition or to the date of disposal.

Shipping Results

Voyage results are computed on an accruals basis, and income and direct expenses relating to voyages in progress at the Balance Sheet date are accounted for on a pro rata basis.

Tangible Fixed Assets

These are stated at cost less depreciation provided.

The capital cost of ships includes costs of supervision during building or major modification together with any interest payable during the construction and pre-delivery period. Also included in cost is the amount spent on the last cyclical dry-dock of ships and special surveys.

Depreciation

Ships and equipment, both wholly-owned and lease financed, are depreciated from the time of entering into service on a straight line basis over their estimated useful lives, being 20 years for ships and 12 or 5 years for other equipment. Where expenditure is incurred to prolong the useful service life of a ship, which is more than twenty years old, this expenditure is written-off over the life extension period. Depreciation is based on cost and, in the case of ships, a residual value based on their estimated scrap value at the end of their estimated useful lives. All cyclical dry-dock costs are capitalised and written-off over the dry-docking cycle of 3 or 5 years.

Impairment

The group reviews all fixed assets for impairment whenever events or circumstances indicate that the carrying value of the assets may not be fully recoverable based upon estimated future cash flows. Provision for impairment in the value of fixed assets is made in the profit and loss account.

Pensions

The group participates in a number of pension schemes for the benefit of its employees. The funds of the schemes are administered by trustees and are separate from the group. In accordance with the recommendations of independent actuaries, the group makes contributions to the schemes so as to secure the benefits set out in the rules of the schemes. The cost of such contributions is charged to the profit and loss account on a systematic basis over the service lives of the employees.

In accordance with Financial Reporting Standard 17 – Retirement Benefits (FRS17), pension scheme deficits, which can be attributed to the group, are recognised on the balance sheet net of related deferred tax. The increases during the year in the present value of the schemes' liabilities arising from the passage of time are included in interest payable. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Stock

Stocks are valued at the lower of cost and net estimated realisable value.

Currencies

Revenue transactions in foreign currency are translated into sterling at the rates of exchange ruling at the dates of the transaction and current assets and liabilities are translated into sterling at the rates of exchange ruling at the Balance Sheet date. Forward foreign exchange contracts are translated into sterling at the contracted rate at the date of maturity. These contracts are used to hedge future cash flows in foreign currencies. The resultant differences arising on exchange are included in the result before taxation.

Certain ships are recorded in the books of the Company in US\$. Where matched against US\$ loans and finance leases which were effected to finance the acquisition of the assets, the currency balances are translated into sterling at the year-end rate and the net difference is taken directly to reserves.

The Profit and Loss Accounts and Balance Sheets of overseas subsidiary and related companies are translated into sterling at the rates of exchange ruling at 31 December. Differences on the translation of net assets arising from exchange fluctuations are taken directly to reserves.

Finance and Operating Leases

Where assets are financed by leasing agreements that approximate to the loan of money, 'finance leases', the assets are treated as if they had been purchased outright and the corresponding capital cost is shown as an obligation to the lessor. Leasing payments are treated as consisting of a capital element and finance charges, the capital element reducing the obligation to the lessor and the finance charges being written-off to the Profit and Loss Account over the period of the lease. All other leasing agreements are 'operating leases' and the relevant annual rentals are charged wholly to the Profit and Loss Account.

Deferred Taxation

Deferred tax is provided in respect of all timing differences, which will reverse subsequent to the balance sheet date at the rates expected at the time of reversal. Deferred tax assets are recognised to the extent they are regarded as recoverable.

Related Party Transactions

The Company has taken advantage of the exemption not to disclose transactions with related parties allowed under Financial Reporting Standard No. 8 - Related Parties, as it is a wholly-owned subsidiary of Andrew Weir & Company Limited and all the relevant transactions are disclosed in the parent company's consolidated financial statements.

2. TURNOVER

Turnover represents the amounts invoiced for charter hire, management fees, goods supplied and commissions received.

As permitted by Schedule 4 Section 55 (5) of the Companies Act 1985, no geographical analysis of turnover is shown as, in the opinion of the directors, to do so would be prejudicial to the interests of the company.

3. OPERATING EXPENSES

Operating expenses are made up as follows:-

	2005 £'000	2004 £'000
Selling expenses	39	45
Administrative expenses	3,195	3,310
	<u>3,234</u>	<u>3,355</u>

4. PROFIT FOR THE FINANCIAL YEAR

	2005 £'000	2004 £'000
Group trading profit is arrived at after crediting/(charging):		
Auditors' remuneration - audit services	(35)	(30)
- other services	-	-
Hire of ships	-	(675)
Property lease payments	(80)	(80)
Other operating lease payments	(12)	(217)
Depreciation	(1,219)	(1,244)
Profit on disposal of ships and equipment	-	1,649
Directors' remuneration	(236)	(219)
Impairment on investment	-	(441)
Exceptional items credited to the Profit and Loss account:-		
Write back in value of ships	<u>849</u>	<u>674</u>
Profit on disposal of investment	<u>154</u>	<u>-</u>

The write back in the value of ships has been made to reflect higher estimated residual values, together with an extension of the charters. A discount rate of 5% (2004 : 5%) has been applied to cash flows to calculate the write back. No depreciation has been charged in 2005 and no future increase in the annual charge for depreciation will arise from the fixed asset write back, because the net book value equals the estimated residual value.

5. DIRECTORS AND EMPLOYEES

(a) Employees

The average number of persons employed, including Executive Directors, during the year was 46 (2004: 47).

	2005 £'000	2004 £'000
Aggregate gross wages and salaries paid to the company's employees	1,483	1,462
Employer's national insurance contributions	131	126
Other pension costs:		
Contribution to pension schemes	228	215
Ex gratia pensions	24	23
	<u>1,866</u>	<u>1,826</u>

(b) Pension Costs

(i) Andrew Weir & Company Limited Staff Pension and Life Assurance Plan

Andrew Weir Shipping Limited ("AWSL") is a member of the Andrew Weir & Company Limited Staff Pension and Life Assurance Plan ("AWPP"), which is a closed, funded, defined benefits scheme with a defined contribution section.

A full actuarial valuation was carried out as at 31 December 2003 and updated to 31 December 2005 by a qualified independent actuary, using the projected unit method. Under this method the current service cost of a closed scheme will increase as members approach retirement. The main assumptions used by the actuary were :

	2005		2004		2003	
	%	£'000	%	£'000	%	£'000
Inflation	2.60		2.60		2.75	
Rate of increase in salaries	3.60		3.60		3.75	
Rate of increase in pension in payment and deferred pensions	2.60		2.60		2.75	
Rate to discount liabilities	4.75		5.30		5.50	
Fair value of assets and liabilities and long term expected rates of return :						
Equities	8.00	35,222	8.00	48,090	8.00	42,781
Bonds	4.00	22,472	-	-	-	-
Cash and net current assets	4.50	1,570	4.75	3,091	4.00	3,982
Insurance policies	4.75	43,878	5.30	43,613	5.50	44,736
		<u>103,142</u>		<u>94,794</u>		<u>91,499</u>
Present value of liabilities		(104,034)		(97,321)		(96,252)
Net pension liabilities		<u>(892)</u>		<u>(2,527)</u>		<u>(4,753)</u>

	2005 £'000	2004 £'000	2003 £'000	2002 £'000
History of experience gains and losses				
Experience gains and losses :	5,822	2,076	5,171	(12,494)
Difference between the expected and actual return on Scheme assets	6%	2%	6%	15%
 Experience (losses)/gains on Scheme liabilities	-	-	(782)	1,443
Percentage of liabilities	0%	0%	1%	2%
 Total amount recognised in the statement of total recognised gains and losses	622	1,672	644	(11,217)
Percentage of liabilities	1%	2%	1%	12%

The Trustees determined the ordinary contribution rate for the period from 1 July 2003 to 1 July 2006 at 21.3% (1 January 2002 to 30 June 2003 : 0%). Group contributions during the accounting period amounted to £228,000

(ii) Merchant Navy Officers Pension Fund

The group has participated in an industry-wide pension scheme - the Merchant Navy Officers Pensions Fund ("MNOFP"). The scheme is split into two sections, being the pre-1978 section and post-1978 section. At 31 March 2003, the date of the latest actuarial valuation, the pre-1978 section had a surplus of £167m and the post-1978 section, which is closed to new members, showed a deficit of £194m.

The deficit is entirely related to past service liabilities and will need to be made good by participating employers, the definition of which was established by a High Court ruling on 22 March 2005.

As a result of calculations completed by the MNOFP Trustees, the Group will be required to contribute £648,000 per annum for a period of ten years, commencing September 2005. Interest charged during the year ended 31 December 2005 amounted to £203,000 (2004 : £256,000).

In accordance with FRS 17 (Retirement Benefits) a provision has been made in the financial statements for the obligation allocated to the group. At 31 December 2004 this amounted to £4,176,000. On 17 August 2005, the MNOFP Trustees issued revised calculations to participating employers. The adjustments to the calculations have resulted in an additional increase in the liability of the group of £1,277,000, which has been taken to reserves as an actuarial loss, and recorded in the statement of recognised gains and losses. At 31 December 2005 the liability, including accrued interest, amounted to £5,008,000.

Included within the liability of AWSL at 31 December 2005 is £1,214,384 (2004 : £1,141,632) relating to a subsidiary's debt which has been assumed by AWSL as part of a previous transfer of business. Detailed information has not been disclosed in respect of the MNOFP as this information has not been provided by the actuary of the scheme.

(iii) Summary of movement in deficit in Schemes during the year :

	2005		2004	
	AWPP £'000	MNOFP £'000	AWPP £'000	MNOFP £'000
Deficit at 1 January	(2,527)	(4,176)	(4,797)	(3,920)
Current service cost	(372)	-	(477)	-
Contributions	276	648	374	-
Past service cost	-	-	(17)	-
Other finance income/(cost)	1,109	(203)	718	(256)
Actuarial gain/(loss)	622	(1,277)	1,672	-
Deficit at 31 December	<u>(892)</u>	<u>(5,008)</u>	<u>(2,527)</u>	<u>(4,176)</u>

The AWPP covers several companies and it is not possible to identify the share of assets and liabilities relating to individual companies. Consequently, in AWSL's financial statements the above AWPP liability is not recorded and contributions are accounted for as a defined contribution scheme.

Deferred tax on the pension liabilities has not been taken into account because of the amount of unrecognised deferred tax assets.

Directors

	2005 £'000	2004 £'000
Aggregate emoluments	236	219
	==	==
Highest paid director		
Aggregate emoluments and benefits	130	115
	==	==
Defined benefit pension schemes:		
Accrued pension at end of year	44	144
	==	==

There are 2 Directors (2004 : 3) for whom retirement benefits are accruing in defined benefit schemes.

6. NET INTEREST AND OTHER INCOME

Interest payable

Finance leases	(281)	(298)
Bank loans and overdrafts	(334)	(271)
Interest on MNOPF liability (note 5)	(203)	(256)
Loans from parent company	-	(21)
Share of net interest of joint venture	(2,449)	(2,597)
Share of net interest of associated undertaking	(16)	(4)
	==	==
	(3,283)	(3,447)
Interest receivable	244	227
	==	==
Net interest and other income	(3,039)	(3,220)
	==	==

The prior year interest figures have been amended to reflect the classification used for the current year.

7. TAXATION ON PROFIT FOR THE YEAR

	2005 £'000	2004 £'000
Based on the results for the year :		
UK Corporation Tax : 30% (2004 : 30%)	(71)	(81)
Double taxation relief	71	81
Tax on results of associated undertaking	(163)	(135)
Tax on results of joint venture	(72)	(61)
	<u>(235)</u>	<u>(196)</u>
On prior year results:-		
Foreign tax repaid	-	24
UK Corporation Tax	-	110
	<u>(235)</u>	<u>(62)</u>

Tax Reconciliation

Tax (charge) on profit on ordinary activities at 30%	(693)	(657)
Tax effect of :		
Reversal of impairment to the value of ships	255	202
Losses not utilised	(164)	-
Profit on sale of investment	46	-
Lower tax arising from joint venture's election to tonnage tax	350	324
Higher rates of tax on overseas earnings and associated company	(31)	(25)
Group relief	-	56
Other	2	(39)
	<u>(235)</u>	<u>(139)</u>
Relating to current year	-	77
Relating to prior years	<u>(235)</u>	<u>(62)</u>

8. TANGIBLE FIXED ASSETS

Group

	Ships and Equipment		
	Owned	Leased	Total
	£'000	£'000	£'000
Cost			
At 1 January 2005	66,903	12,994	79,897
Currency adjustment	2,133	-	2,133
	<u>69,036</u>	<u>12,994</u>	<u>82,030</u>
At 31 December 2005	<u>69,036</u>	<u>12,994</u>	<u>82,030</u>
Depreciation			
At 1 January 2005	48,811	12,171	60,982
Currency adjustment	595	-	595
Charge for the year	1,219	-	1,219
Write back in value of ships (note 4)	(518)	(331)	(849)
	<u>50,107</u>	<u>11,840</u>	<u>61,947</u>
At 31 December 2005	<u>50,107</u>	<u>11,840</u>	<u>61,947</u>
Net Book Value			
At 31 December 2005	<u>18,929</u>	<u>1,154</u>	<u>20,083</u>
At 31 December 2004	<u>18,092</u>	<u>823</u>	<u>18,915</u>

8. TANGIBLE FIXED ASSETS (Continued)

Company	Ships and Equipment Owned £'000
Cost	
At 1 January 2005	37,401
Currency adjustment	2,132
	<u> </u>
At 31 December 2005	39,533
	<u> </u>
Depreciation	
At 1 January 2005	19,315
Currency adjustment	595
Charge for the year	1,219
Write back in value of ships (note 4)	(518)
	<u> </u>
At 31 December 2005	20,611
	<u> </u>
Net Book Value	
At 31 December 2005	18,922
	<u> </u>
At 31 December 2004	18,086
	<u> </u>

Dry-docking

Group and Company

Dry-docking costs have been capitalised and are written-off over the period of the dry docking cycle or included in any impairment adjustment. There were no dry-docking additions during the year. Depreciation of £90,000 has been charged in the year and the net book value of dry docking costs at the Balance Sheet date is £12,000.

9. FIXED ASSET INVESTMENTS

Group	Associated Undertaking		Other Investments	Joint Venture	
	Equity £'000	Loan £'000		Equity £'000	Loans £'000
At 1 January 2005	419	111	2,848	1,810	3,024
Currency adjustments	(13)	-	-	-	-
Disposals in year	-	-	(2,832)	-	-
Additions in year	-	108	-	-	-
Repaid in year	-	(108)	-	-	(151)
Share of profit for the year	282	-	-	1,334	-
Dividend	(236)	-	-	(1,000)	-
At 31 December 2005	452	111	16	2,144	2,873

The book value of the interest in an associated undertaking represents the Group's share of its net assets. The other investments are unlisted. The directors' valuation of other investments is £581,000.

	2005 £'000	2004 £'000
Joint Venture – Foreland Holdings Limited (formerly AWSR Holdings Limited)		
Share of assets		
Tangible fixed assets	13,044	13,887
Non-current assets – finance lease receivable	30,874	31,892
Current assets	5,444	5,061
	<u>49,362</u>	<u>50,840</u>
Share of liabilities		
Creditors falling due within one year	2,300	2,374
Creditors falling due after one year	44,918	46,656
	<u>47,218</u>	<u>49,030</u>
Share of net assets	<u>2,144</u>	<u>1,810</u>
Share of forward foreign currency contracts	3,519	5,002
Share of results		
Turnover	8,239	8,105
Operating profit	3,855	3,876
Net interest	(2,449)	(2,597)
	<u>1,406</u>	<u>1,279</u>
Taxation	(72)	(61)
Share of profit after tax	<u>1,334</u>	<u>1,218</u>

The audited financial statements of Foreland Holdings Limited have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2005. Amounts have been restated to conform with Generally Accepted Accounting Policies within the United Kingdom. The borrowings of Foreland Holdings Limited are without recourse to Andrew Weir Shipping Limited or its subsidiaries.

9. FIXED ASSET INVESTMENTS (continued)

Company	Other	Subsidiary	Joint Venture	
	Investments	Undertakings	Equity	Loans
	£'000	£'000	£'000	£'000
At 1 January 2005	2,848	8,036	25	3,024
Repaid in year	-	-	-	(151)
Disposals in year	(2,832)	-	-	-
	<u>16</u>	<u>8,036</u>	<u>25</u>	<u>2,873</u>

The other investments are unlisted. The directors' valuation of other investments is £562,000.

Subsidiary, joint venture and associated undertakings

The following are the principal subsidiary, joint venture and associated undertakings at 31 December 2005. Unless otherwise stated all are wholly-owned by the Company and incorporated in Great Britain. All are engaged in shipping and ancillary industries either as ship owners or shipping agents, except for United Baltic Corporation Limited which is a holding company for overseas investments. United Canal Agency GmbH is held by a subsidiary undertaking of the Company.

• **Subsidiary Undertakings**

Teignbank Shipping Limited
United Baltic Corporation Limited
Andrew Weir Shipping (SA) Pty Limited (incorporated in South Africa)

• **Associated Undertaking**

United Canal Agency GmbH (incorporated in Germany) 40%

• **Joint Venture**

Foreland Holdings Limited 25% (Ordinary Shares)

10. DEBTORS - falling due within one year

Group	2005 £'000	2004 £'000
Trade debtors	319	623
Parent company	644	973
Other debtors	618	1,043
Prepayments and accrued income	322	466
	<u>1,903</u>	<u>3,105</u>
Company		
Trade debtors	317	623
Parent company	644	973
Subsidiary undertakings	1,305	520
Other debtors	586	1,032
Prepayments and accrued income	270	407
	<u>3,122</u>	<u>3,555</u>

11. STOCKS

Group		
Raw materials and consumables	<u>77</u>	<u>71</u>

12. CREDITORS

Group	2005		2004	
	Amounts falling due within one year £'000	after one year £'000	Amounts falling due within one year £'000	after one year £'000
Trade creditors	483	-	694	-
Ship financing loans	1,343	6,257	1,642	6,808
Finance leases	868	4,558	821	5,426
Taxation and social security	66	-	56	-
Other creditors	1,247	-	1,812	-
Accruals and deferred income	2,612	-	1,987	-
	<u>6,619</u>	<u>10,815</u>	<u>7,012</u>	<u>12,234</u>
Company				
Trade creditors	483	-	694	-
Ship financing loans	1,343	6,257	1,642	6,808
Subsidiary undertakings	8,402	-	8,160	-
Taxation and social security	66	-	56	-
Other creditors	1,164	-	1,764	-
Accruals and deferred income	2,612	-	1,987	-
	<u>14,070</u>	<u>6,257</u>	<u>14,303</u>	<u>6,808</u>

Ship financing loans

Group and Company	2005 £'000	2004 £'000
Repayable in half-yearly instalments at 1% over US\$ LIBOR	<u>7,600</u>	<u>8,450</u>

The £7,600,000 loan is secured on the relevant vessel, and by a guarantee from Andrew Weir & Company Limited.

Ship financing loans and finance leases

	Loans Group and Company £'000	Finance Leases Group £'000
Amounts payable in:		
2006	1,343	868
2007 to 2010	5,006	3,994
2011 and later	1,251	564
	<u>7,600</u>	<u>5,426</u>

13. DEFERRED TAXATION

Assets not recognised	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Postponed capital allowances	17,500	18,400	16,000	16,300
Tax losses	2,200	2,000	1,600	1,600
Capital losses	3,400	3,400	3,400	3,400
Advance corporation tax	2,800	2,800	2,700	2,700
At 31 December	<u>25,900</u>	<u>26,600</u>	<u>23,700</u>	<u>24,000</u>

Deferred tax assets not recognised have been calculated at 30%. Relief may be obtained against any future UK corporation tax liability at the corporation tax rates then prevailing.

14. RECONCILIATION OF RESERVES

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
At 1 January	(1,844)	(46,593)	1,580	(42,571)
Retained profit for year	1,588	2,129	599	1,542
Currency translation differences on foreign currency net investments	660	(558)	673	(569)
Actuarial loss in current year (note 5)	(1,277)	-	(1,277)	-
Cancellation of preference shares	-	8,518	-	8,518
Cancellation of ordinary shares	-	34,660	-	34,660
At 31 December	<u>(873)</u>	<u>(1,844)</u>	<u>1,575</u>	<u>1,580</u>

15. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	Number	£	Number	£
Ordinary Share Capital				
Ordinary shares of £1 each				
At 31 December 2005	<u>15,340,000</u>	<u>15,340,000</u>	<u>12,100,000</u>	<u>12,100,000</u>
At 31 December 2004	<u>15,340,000</u>	<u>15,340,000</u>	<u>12,100,000</u>	<u>12,100,000</u>
Preference Share Capital				
10,000,000 cumulative 6% preference shares of £1 each				
At 31 December 2005	<u>10,000,000</u>	<u>10,000,000</u>	<u>8,100,000</u>	<u>8,100,000</u>
At 31 December 2004	<u>10,000,000</u>	<u>10,000,000</u>	<u>8,100,000</u>	<u>8,100,000</u>

The preference shares are non-voting. Under FRS 4 "Capital Instruments" these shares are classified as non-equity share capital.

16. RECONCILIATION OF SHAREHOLDER'S FUNDS

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
At 1 January	10,256	585	13,680	4,607
Issued Preference Share Capital	-	8,100	-	8,100
Retained profit for the year	1,588	2,129	599	1,542
Currency translation differences on foreign currency net investments	660	(558)	673	(569)
Actuarial loss in current year (note 5)	(1,277)	-	(1,277)	-
At 31 December	<u>11,227</u>	<u>10,256</u>	<u>13,675</u>	<u>13,680</u>

The parent company has taken advantage of the exemption available under the Companies Act 1985 (s 230) not to show its individual profit and loss account.

17. CAPITAL AND OTHER FINANCIAL COMMITMENTS**Group and Company****Capital Expenditure**

At 31 December capital commitments for which no provision has been made in these accounts amounted to :

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Dry-docking costs	<u>2,325</u>	<u>-</u>	<u>2,325</u>	<u>-</u>

Other financial commitments

Payments due during the next year under non-cancellable operating leases, which expire as indicated below :

	2005	2004
	£'000	£'000
Plant and equipment :		
Within one year	<u>7</u>	<u>12</u>

18. CONTINGENT LIABILITIES AND GUARANTEES**Company**

Guarantee of finance lease in a subsidiary undertaking	<u>5,426</u>	<u>6,247</u>
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19. ULTIMATE PARENT COMPANY

The ultimate and immediate parent company is Andrew Weir & Company Limited, incorporated in Great Britain and registered in England and Wales.

Copies of the Andrew Weir & Company Limited Group Accounts are available from Dexter House, 2 Royal Mint Court, London EC3N 4XX.